

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BECKLEY STATION)	
DISPOSAL SYSTEMS, INC. FOR AN ORDER)	
PURSUANT TO CHAPTER 278 OF THE)	
KENTUCKY REVISED STATUTES)	
AUTHORIZING AND PERMITTING AN)	
ADJUSTMENT IN RATES FOR THE)	CASE NO. 9541
EXISTING SEWAGE TREATMENT PLANT)	
SERVING BECKLEY WOODS SUBDIVISION)	
AND LAKE FOREST SUBDIVISION,)	
JEFFERSON COUNTY, KENTUCKY)	

O R D E R

On March 31, 1986, Beckley Station Disposal Systems, Inc., ("Beckley Station") filed its general rate application seeking to increase its rates to produce an additional \$24,191 in revenue, an increase of approximately 25.8 percent. On August 8, 1986, Dennis Jones of the Commission's Division of Rates and Tariffs examined Beckley Station's test period accounting and pro forma adjustments at its offices in Louisville, Kentucky. His report of August 13, 1986, with recommendations concerning the rate-making treatment of Beckley Station's operations, is a part of the record in this proceeding. On August 19, 1986, a public hearing was held at the offices of the Commission in Frankfort, to give further consideration to Beckley Station's application and the recommendations contained in the staff report. There were no intervenors present or participating at the hearing.

The additional information requested at the hearing was received on August 26, 1986.

TEST PERIOD, REVENUES AND EXPENSES

Beckley Station proposed and the Commission has accepted the 12-month period ending December 31, 1985, as the test period in this proceeding. Beckley Station had a test period net operation loss of \$6,436, which it adjusted to a net operating loss of \$10,027. The staff's report recommended further adjustments which result in an adjusted operating loss of \$14,975. The Commission has accepted the staff's recommendations with the following exceptions: A legal fee of \$500 per year and management fees of \$1,800 per year were included in the adjusted operations of Beckley Station; however, Beckley Station was unable to document the services provided for these fees or provide a copy of the contracts with the vendors providing the service. Therefore, the Commission will disallow these expenses for rate-making purposes. This reduces Beckley Station's adjusted net operating loss (for rate-making purposes) from \$14,975 to \$12,675.

REVENUE REQUIREMENTS

The adjusted operations of Beckley Station result in a net loss. The Commission is of the opinion that this is neither fair, just nor reasonable since it does not allow Beckley Station sufficient revenues to satisfy its operating expenses nor provide for reasonable equity growth. The revenues requested by Beckley

Station would result in an operating ratio of $.90x^1$ after consideration of interest expense and taxes. The Commission is of the opinion that this coverage is both fair, just and reasonable in that it would allow Beckley Station to meet its operating expenses and provide for reasonable equity growth.

RATE DESIGN

In its application Beckley Station proposed to change its rate structure from a single rate for all customers to a rate for single family residential customers and another rate for multi-family residential customers.

The Commission is of the opinion that the proposed rate structure is in the best interest of the customers and the company and should be allowed; further, the rates in Appendix A are fair, just and reasonable and should be approved.

FINDINGS AND ORDERS

The Commission, after being advised and considering the evidence of record in this proceeding, is of the opinion and finds that:

1. The rates and charges proposed by Beckley Station should be accepted in accordance with KRS 278.030.
2. Beckley Station should provide a copy of its revised tariff sheets to this Commission within 30 days of the date of this Order.

¹ (Operating Expenses of \$89,334 plus taxes of \$1,862) ÷ (Gross revenues of \$118,031 less \$17,181 interest expense) = .90.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Beckley Station, as set out in Appendix A, are the fair, just and reasonable rates to be charged for sewage service rendered on and after the date of this Order.

2. Beckley Station should provide a copy of its revised tariff sheet to this Commission within 30 days of the date of this Order.

Done at Frankfort, Kentucky, this 17th day of September, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Neman
Chairman

R. H. R. L.
Vice Chairman

Spencer N. Williams
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9541 DATED 9/17/86

The following rates and charges are prescribed for the customers in the area served by Beckley Station Disposal Systems Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

<u>Customer Class</u>	<u>Monthly Rate</u>
Single Family Residential	\$13.80
Multi-Family Residential	10.35